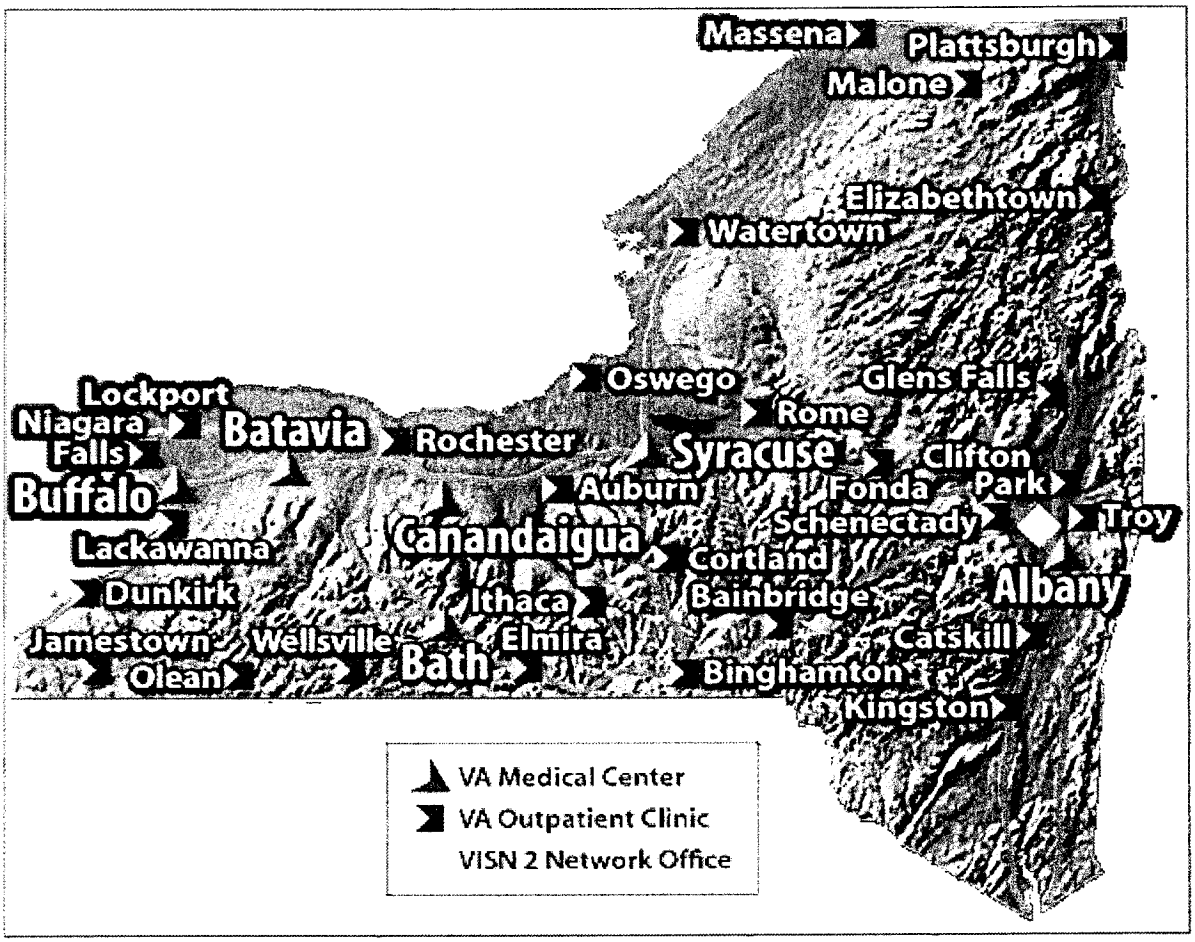
CARES COMMISSION HEARING
CANANDAIGUA, NEW YORK
OCTOBER 20, 2003



VA HEALTHCARE NETWORK
UPSTATE NEW YORK

Thank you for the opportunity to provide testimony on the Draft National CARES Plan as it pertains to the VA Healthcare Network Upstate New York (Network 2). With me today are Dr. Lawrence Flesh, Deputy Network Director and Medical Director, James Campbell, Network Chief Financial Officer, and James Cody, Director, Syracuse VAMC and Network CARES Coordinator. I will be presenting our formal testimony and the other panelists will join me in response to any questions you may have.

The VA Healthcare Network Upstate New York is an integrated health care delivery system composed of inpatient facilities, outpatient clinics and nursing homes throughout Upstate New York. Network 2 provides a range of services from acute inpatient to nursing home care services through six primary locations including Albany, Buffalo, Syracuse, Batavia, Bath and Canandaigua, while operating a Network of 28 Community Based Outpatient Clinics. The Primary Service area of 42,925 square miles encompasses 47 counties in New York State as well as two counties in Northern Pennsylvania, with an estimated veteran population of 585,805 in Fiscal Year 2001. This veteran population is projected to decrease by 32% by Fiscal Year 2012. The nature of the areas served in Network 2 varies from highly urban near the major cities of Buffalo, Rochester, Syracuse and Albany to highly rural in surrounding counties.

From FY 1996 to FY 2002, Network 2 experienced an increase in the number of patients treated from 82,049 to 131,952, an increase of 61%. During the same period of time, the total number of employees in Network 2 decreased from 6,309 to 5,113 and the cost of care per patient decreased from $5,200 to $4,087.

The increase in workload and decrease in costs was achieved while continually improving quality of patient care and patient satisfaction as demonstrated by the Network's achievements in national performance measures. Network 2 is currently leading all VA's in the nation in performance for 18 quality measures and achieved Exceptional scores on 27 out of 47 quality measures through the end of 3rd Quarter Fiscal Year 2003. Patient Satisfaction scores are the second highest of any Network nation wide. The average waiting time for a primary care appointment was 18.6 days as of the end of 3rd Quarter Fiscal Year 2003, and 20.5 days for Specialty Clinics.

Network 2 is ranked first in the nation on patient satisfaction with waiting times for providers (seen within 20 minutes of scheduled appointment time) and has led the VA on this measure for the last six years.

Network 2 was the recipient of the 2001 Robert W. Carey Award, the most prestigious award given by the Department of Veterans Affairs for significant improvements in quality and patient satisfaction and has twice received the Kenneth W. Kizer Quality Achievement Recognition Grant, awarded to "those Networks that demonstrate broad-based and noteworthy progress toward providing world-class healthcare quality".

Our Network approach to the CARES planning process was governed by a set of overarching principles. These principles were:

- The projected increase in demand for care would only materialize if more care was available closer to where veterans live, not at sites where the VA currently had fixed assets
- The Network plan needed to maximize resources dedicated to direct patient care and minimize resources expended on overhead
- Investment in new construction should be kept to a minimum
- The Network had a history of successful partnerships with community providers; such partnerships should be considered as a viable alternative in addressing any planning initiatives

Once these principles were established, each of the identified Markets within the Network was tasked with developing a proposed response to the planning initiatives for their areas.

The planning initiatives for the Eastern (Albany), Central (Syracuse), Western (Buffalo) Finger Lakes/Southern Tier (Canandaigua/Bath) Markets addressed meeting an increased need for outpatient primary and specialty care and inpatient medical care and were met with minimal change in care delivery. The CARES planning process also identified a need for expanded capacity to care for veterans with Spinal Cord Injury or Disease. After much study and consultation with concerned stakeholder groups, an initiative was included in the plan for the Central Market to construct a new 30-bed Spinal Cord Injury unit at the Syracuse VA Medical Center. The Syracuse location was

selected due to both its central location within the state and clinical expertise in managing the care of spinal cord injured patients.

After submission of the Network CARES plan, the Undersecretary for Health requested 15 Networks to explore the option of converting smaller inpatient facilities to outpatient care facilities, going from a 24 hour, seven day a week operation to an eight hour, five day per week operation. Network 2 was asked to consider changing the mission of the Batavia Division of the Western New York VA Healthcare System to an outpatient clinic and relocating the long-term care beds to the Buffalo or Canandaigua VAMCs. In addition to considering the change at Batavia, the Undersecretary for Health supported Network 2 also submitting data and information on the potential savings if the Canandaigua VAMC's outpatient workload were re-allocated to a new community based outpatient clinic and the long-term care beds were relocated to the Bath, Batavia, Buffalo and Syracuse VAMCs. There were several compelling reasons for the decision to review Canandaigua as well as Batavia:

- Greater operating costs at Canandaigua ($56.3M FY02) vs. Batavia (24.9M FY02)
- Greater overhead costs at Canandaigua ($23.4M) vs. Batavia ($8.2M)
- More land to maintain at Canandaigua (171 acres) vs. Batavia (47 acres)
- More vacant/underutilized space at Canandaigua (169,995 sq. ft) vs. Batavia (56,295 sq ft)
- Greater potential savings to reinvest in direct patient care:
    - Canandaigua:
        - **Savings** of $53.5M over first 5 years; ongoing annual **savings** of approximately $20M
    - Batavia:
        - **Cost** of $9.4M over first 5 years; ongoing annual **costs** of approximately $1.9M
- Consistent with strategies already under consideration to increase clinical services in the Rochester area through expansion of Rochester Outpatient Clinic and partnering with community healthcare providers
- Opportunity to **expand** primary and specialty outpatient care services available to veterans residing in the Finger Lakes area (Canandaigua,

Rochester, and Bath) through new full-service community based outpatient clinic.

- Realignment of inpatient services would **increase** overall bed capacity by approximately 10%:
    - Nursing Home: 127 to 150 beds - 18% increase
    - Domiciliary: 40 beds - no change
    - Residential Rehab: 23 beds - no change
    - Psychiatry: 58 to 60 beds - 3% increase
    - TOTAL: 248 to 273 beds - 10% increase

After review of all submissions, VA Central Office accepted the Canandaigua proposal and it was included in the Draft National CARES Plan.

If the CARES Commission ultimately recommends the Draft National CARES Plan to the Secretary and it includes the Canandaigua proposal in its current form, there are several specific steps that Network 2 will undertake to make this transition as smooth and seamless as possible.

- The Network will establish a Finger Lakes Advisory Board made up of community leaders, veteran service organizations, labor, and Network representatives to oversee the implementation planning process
- Many of the clinical and some administrative staff will have opportunities to move with the inpatient re-alignment to other VA facilities within a one hour commute; there will also be additional job opportunities at the Rochester Outpatient Clinic and at the new Canandaigua area community based outpatient clinic.
- Canandaigua employees will be given first chance for any position that may open in the Network for which they are qualified
- The Network will partner with the community and other stakeholders to explore ways to minimize any negative financial impact on the Canandaigua area marketplace and develop alternative uses for the Canandaigua campus, for example, Assisted Living.
- No services currently in place at the Canandaigua VAMC would be discontinued until appropriate replacement services were already in place

This concludes my formal testimony. Thank you for the opportunity to speak before you today. I have provided additional attachments for reference in your testimony package. I would be happy to answer any questions you may have.

Attachment A – VISN Map & Driving Distances

Attachment B – Performance Measure Data

Attachment C – Wait Times for Performance Measure Clinics

Attachment D – Manual Wait List Survey

Attachment E – Patient Satisfaction

Attachment F – Key Statistics for Batavia & Canandaigua

Attachment G – Misinformation vs. Fact

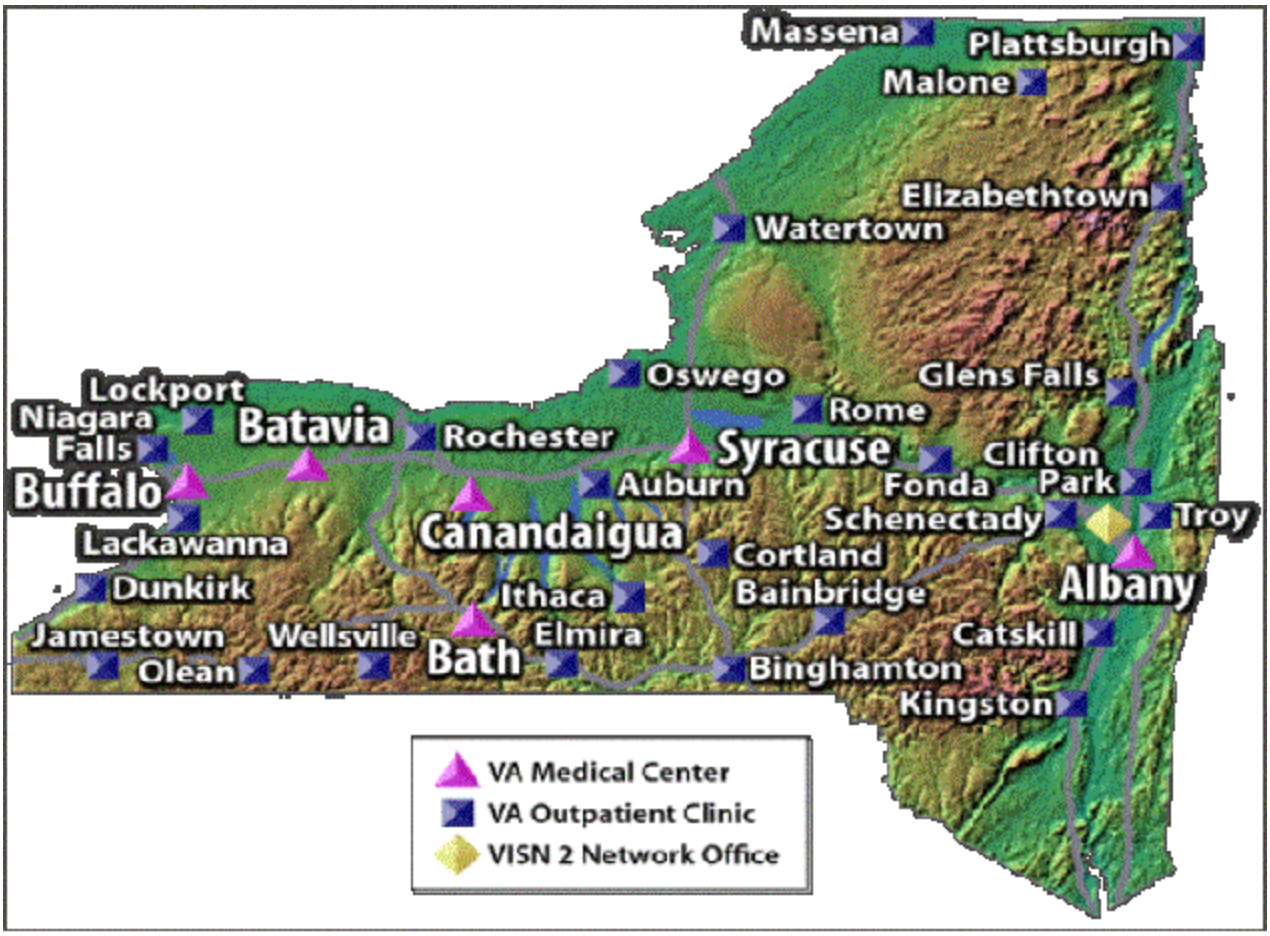
Attachment H – Network 2 Executive Talking Points

Attachment I – Proposed Workload Realignment

Attachment J - VISN 2 CARES Financial Assessment Methodology

Attachment K – VISN 2 CARES Historical Unit Costs (Canandaigua & Batavia)

Attachment A – VISN Map & Driving Distances



VISN 2 Facility Distance Chart	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time
Excludes Albany: not impacted by CARES proposals	**Canandaigua**	**Rochester**	**Batavia**	**Bath**	**Syracuse**	**Buffalo**
Canandaigua		31.7 miles 41 min	53.4 miles 1 hr.	61.2 miles 1 hr. 15 min.	68.9 miles 1 hr., 15min	86.8 miles 1 hr. 32 min.
Rochester	31.7 miles 41 min		36.5 miles 39 min.	76.7 miles 1 hr. 14 min.	90.7 miles 1 hr. 31 min.	71.5 miles 1 hr. 12 min.
Batavia	53.4 miles 1 hr.	36.5 miles 39 min.		87.0 miles 1 hr. 31 min.	112.8 miles 1 hr. 50 min.	36.4 miles 39 min.
Bath	61.2 miles 1 hr. 15 min.	76.7 miles 1 hr. 14 min.	87.0 miles 1 hr. 31 min.		102.3 miles 2 hr. 16 min.	111.4 miles 2 hr. 4 min.
Syracuse	68.9 miles 1 hr., 15min	90.7 miles 1 hr. 31 min.	112.8 miles 1 hr. 50 min.	102.3 miles 2 hr. 16 min.		147.8 miles 2 hr. 24 min.
Buffalo	86.8 miles 1 hr. 32 min.	71.5 miles 1 hr. 12 min.	36.4 miles 39 min.	111.4 miles 2 hr. 4 min.	147.8 miles 2 hr. 24 min.	

Source: Microsoft MapPoint software.

VISN 2 FY03 Q3
Performance Measures Executive Summary

Domain Access:

- **Best VISN scores in VHA for 5 of the 9 access measures**
  a. Wait time – Eye: 26 days; FS=<64 days
  b. Wait time – Ortho: 15 days; FS=<44 days
  c. Wait time – PC New pt appt when desired: 91%; FS=79%
  d. Wait time – PC Established pt appt when desired: 88%; FS=79%
  e. Wait time – Provider within 20 minutes: 85%; FS=64%, EX=66%

Under performing: None

Domain Cost:

A. Fully Successful

- Days to Bill: 51.4 FS=60, EX=50 (lower is better)

B. Not Fully Successful for EOY Targets:

- AR>90 days: 56.2 FS=55, EX=45 (lower is better)
- Collections:
- GDRO (adjusted) Q3 175 (measure is 4th qtr performance period); FS=125 (lower is better)

Domain Function:

Exceptional

- Homeless: Q1 86, Q2 88, Q3 58, cum 78%; FS= 65, EX=78 (drop in 3rd qtr but cum still exceptional)

Domain Quality – Clinical Quadrants

- **Best VISN score in VHA for 18 of 47 measures (38%)**

- **Exceptional Quadrants: 5 of 6 measures are exceptional**
  - Cancer
  - Infectious
  - Endocrine
  - Tobacco
  - Mental Health
  - Cardiovascular is very close to exceptional at .9963

No facilities below the facility floor level

Domain Quality – Non-Clinical:

Fully Successful

- CPRS Provider Order Entry: 92%; FS=90, EX=95

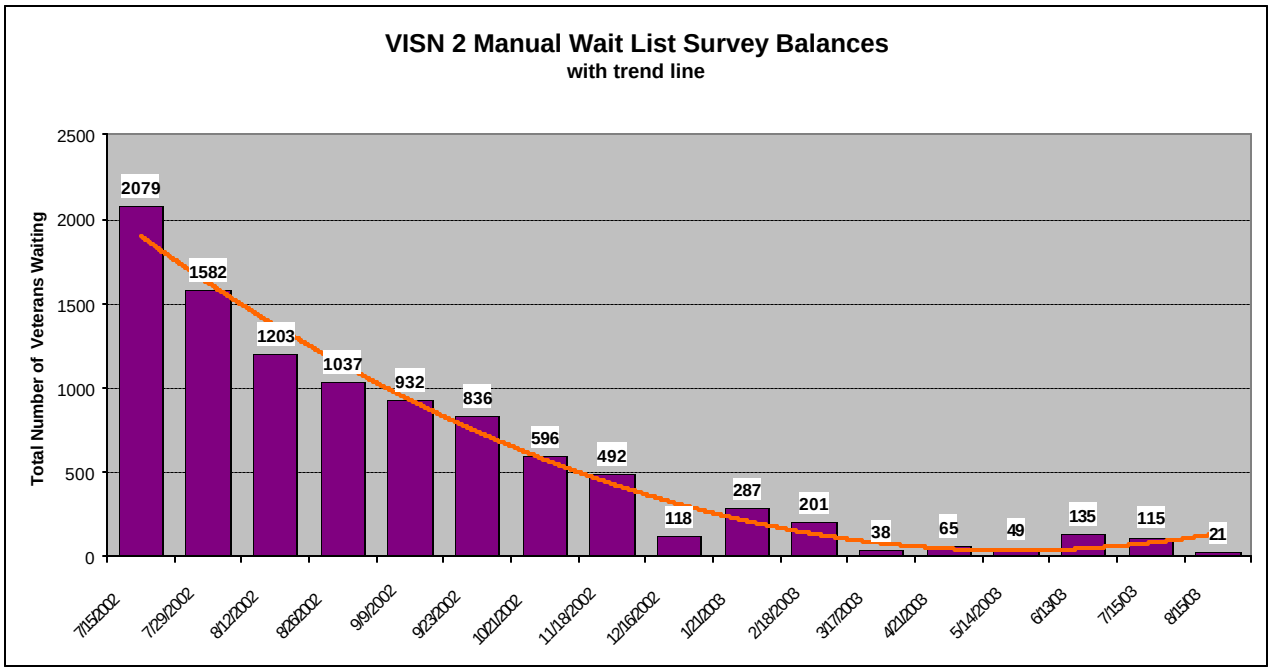
Domain Satisfaction:

Exceptional

- Inpatient overall good or very good: Q1=66, Q2=75, Cum=71; EX=70
- Outpatient overall good or very good: Q1=78, Q2=78, Cum=78; EX=72

VISN 2 and VHA Wait Times - Perf. Measures Clinics

	Sept. 01	Sept. 01	Sept. 02	Sept. 02	July. 03	July. 03
	VISN 2	VHA	VISN 2	VHA	VISN 2	VHA
Audiology	21.8	29.8	15.4	32.3	19.7	23.7
Cardiology	28.7	31.1	29.5	33.2	17.4	28.3
Eye Care	51.7	58.1	23.4	48	24.3	44.7
Orthopedics	16.2	33.9	17	32.3	14.9	27.2
Comb. Primary Care	29.6	37.5	18.6	28.2	18.6	24.1
Urology	23	40.5	25.5	35.7	25.1	35.2


VISN 2 Manual Wait List Survey Balances
with trend line
Total Number of Veterans Waiting
2500
2000
1500
1000
500
0
2079
1582
1203
1037
932
836
596
492
118
287
201
38
65
49
135
115
21
7/15/2002
7/29/2002
8/12/2002
8/26/2002
9/9/2002
9/23/2002
10/21/2002
11/18/2002
12/16/2002
1/21/2003
2/18/2003
3/17/2003
4/21/2003
5/14/2003
6/13/03
7/15/03
8/15/03

VA Survey of Healthcare Experiences of Patients (Outpatient) Quarter 2, Fiscal Year 2003

Dimension	Network 2	N2 Rank	VA Nat'l
Access	85.34+	1	76.13
Continuity of Care	78.03	4	75.9
Courtesy	95.85+	4	93.94
Education & Information	72.32+	2	69.31
Emotional Support	82.73+	4	80.54
Overall Coordination	74.91	3	72.65
Preferences	83.11+	1	79.61
Specialist Care	80.91+	1	76.6
Visit Coordination	85.76+	1	82.64
Overall Quality	78.64+	1	73.55
Provider Wait Times	85.25+	1	67.52

Attachment F - Key Statistics for Batavia & Canandaigua

Latest update: 8/8/03	BATAVIA	Comments	CANANDAIGUA (excludes ROPC)
MISSION	Facility provides Nursing Home Care, PTSD Residential Rehab, and Outpatient Primary Care		Facility provides Nursing Home Care, Domiciliary, Specialized Mental Health Services and Outpatient Primary Care
EXPENSES FY02	in millions		in millions
Operating Costs	$24.2		$53.5
Capital Costs	$0.7		$2.8
TOTAL	$24.9		$56.3
FY02 Campus Overhead (Operating & Capital)	$8.2		$23.4
EST. Annual savings (post implementation costs)	$1.9M	negative=cost savings; positive=increased cost	($20.0M)
EST. Cumulative savings by FY 2008	$9.4M		($53.5M)
VETERANS SERVED FY02	5,217		13,020
Cost per Veteran FY02	$4,639	added for Sec. Principi request	$4,109
BEDS			
Psychiatry	0		50
Residential Rehab	16		30
NHCU	90		113
Domiciliary	0		50
Total	**106**		**243**
ADC			
Psychiatry	0		41
Residential Rehab	10		17
NHCU	84		102
Domiciliary	0		38
Total	**94**		**198**
BDOC			
Psychiatry	0		14,841
Residential Rehab	3,714		6,122
NHCU	30,750		37,078
Domiciliary	0		13,835
Total	**34,464**		**71,876**
OCCUPANCY RATE			
Psychiatry	n/a		81.3%
Residential Rehab	63.6%		55.9%
NHCU	93.6%		89.9%
Domiciliary	n/a		75.8%
Total	**89.1%**		**81.0%**
NO. OF DISCHARGES	547		978
			(excludes ROPC & est. lab/diagnostic only)
OUTPATIENT VISITS	39,202		106,705
NO. OF FTEE	197		697
FTE % - Retirement Eligible:			11%
FTE % - Early Retirement Eligible (if authority is available):			30%
Total Estimated FTE % that are Retirement Eligible		added for Sec. Principi request	41%
NO. OF BUILDINGS	10		23
Space (Square Footage):			
Total Space	213,681		664,248
Vacant Space	26,592		118,193
Under Utilized Space	29,703		51,802
Total Vacant/Under Utilized Space	56,295		169,995
% of Space Vacant/Under Utilized	26%		26%
ACRES	47		171
PARKING SPACES	380		998

Attachment G - Misinformation vs. Fact

National CARES website: http://www.va.gov/CARES/
National CARES Commission website: http://www.carescommission.va.gov/
National CARES Commission e-mail address: carescommission@mail.va.gov

Mis-Information	Fact
A decision has been made related to the National CARES Plan.	A DRAFT National CARES Plan has been submitted to the National CARES Commission. Next step is 90 day review period including hearings within each VISN.
A decision has been made to close the VAMC Canandaigua.	A "proposal" has been made within the DRAFT National Cares Plan to: Re-align inpatient services to other VISN 2 facilities. Outpatient services will continue to be provided in the Canandaigua area.
Long Term Care beds will be lost or reduced.	When re-alignment is completed, long term care beds will be increased by 10% within VISN 2. Nursing Home: 127 to 150 beds . . . 18% increase. Domiciliary: 40 beds. . . . 0% change. Residential Rehab: 23 beds . . . . 0% change. Psychiatry: 58 to 60 beds . . . . 3% change. Total: 248 to 273 beds. . . . 10% increase.
Acute medical & surgical beds will be lost or reduced for veterans within the VAMC Canandaigua campus region.	The VAMC Canandaigua campus has not had acute medicine & surgery beds for the last 3+ years. Veterans have been and will continue to receive this care through a contract with community hospitals. The DRAFT National CARES plan also includes a proposed 30 bed Spinal Cord Injury unit at the VAMC Syracuse.
15,000 veterans are provided care at the Canandaigua campus.	Approximately 7,500 veterans receive care exclusively at the Canandaigua VAMC. Of the 15,000 veterans CARES associated with Canandaigua, 50% receive care primarily at the Rochester Outpatient Clinic (ROPC). Canandaigua's current workload is equivalent to what is typically associated with that of a large Community Based Outpatient Clinic (CBOC).
Outpatient services will be lost for Canandaigua veterans; or Canandaigua veterans will have to travel farther for outpatient primary care.	Outpatient services will be available and enhanced in the Canandaigua area. This includes better access to primary care and mental health outpatient clinics; and additional specialty care clinics not currently available in the area.
Veteran population and VA enrollees in Canandaigua region is growing.	Veteran population and VA enrollees in the Canandaigua campus region are projected to decrease. Veteran population and VA enrollees in Rochester OPC region are projected to increase.
VAMC Canandaigua will lose 800 jobs.	The Canandaigua campus includes approximately 725 employees (the balance are at the ROPC). Many of the clinical and some administrative staff will have opportunities to move with the inpatient re-alignment to other VISN 2 VAMC's and/or remain at the Finger Lakes (Canandaigua) outpatient clinic or relocate to the ROPC. Impacted employees would have priority for VISN 2 openings.
The VAMC Canandaigua Campus is fully occupied.	At the VAMC Canandaigua, 26% of square footage is vacant/under-utilized. An additional 8% is currently leased for non-VA purposes. Overall acreage includes a golf course and fire department.
We would not save money closing the VAMC Canandaigua.	The VAMC Canandaigua Campus overhead costs are approximately $23 million and a large portion could be re-directed to providing direct patient care (doctors, nurses, diagnostic tests, etc.).
There are no entities interested in the Canandaigua campus and its buildings.	There are seven (7) different entities currently leasing space on the VAMC campus. There are other entities that have expressed interest for using the land and space.

Attachment G - Misinformation vs. Fact (cont.)

Follow-up questions on Misinformation vs. Facts:

More Follow-up Questions	Answer
What is a comprehensive Community Outpatient clinic?	A comprehensive Community Outpatient clinic could include: Primary Care clinics, Sub-specialty Care clinics, & Mental Health clinics. The CARES process has identified the need to provide this care closer to the veterans home.
With Long Term Care beds no longer available at Canandaigua campus, will veterans be placed in beds farther away from family and friends?	Veterans would the option to be placed in VA facilities that are within 1 hour or less driving distance and, as per current regulations, those that are eligible would be placed in private facilities even closer to home of family. Critical concept is that more long term care and home based care could be provided for veterans since more resources are re-directed from maintaining a large campus to providing patient care services.

Attachment H - Network 2 Executive Talking Points

1.	**CARES:**	CARES stands for the Department of Veterans Affair's **C**apital **A**sset **R**ealignment for **E**nhanced **S**ervices.
2.	**Purpose:**	VA's proactive response to meet the future health care needs of veterans in the 21st century.
3.	**Why Now:**	CARES addresses the fact that the Department of Veterans Affairs spends one million dollars per day maintaining buildings, which are outdated and under utilized (Ref: GAO Report).
4.	**Key Parameter:**	CARES will only change the way VA healthcare is delivered - **VA healthcare services will not be reduced.**
5.	**Key Criteria:**	A data driven process that looks at veteran demographics (markets) – where veterans are living, their age, income, gaps in and duplication of services provided at VA's, and access points to care.

6. Key Dates:

Initial	Revised Actual *		Milestone:
	Nov 2002	*	Planning initiatives and market data delivered to each VISN.
Nov 2002	Apr 2002	*	Each VISN submits market plans to VACO.
	Aug - May 2003	*	VHA Review of submissions.
	May 2003	*	**Follow-up Actions**: VISN's notified to develop plans for pre-determined VACO scenarios and included an opportunity for developing other VISN prescribed alternative scenarios.
Jul 15, 2003	Aug 4, 2003		Publish **DRAFT National CARES Plan** to CARES Commission (anticipate public release the next day)
	Aug - Sep 2003		CARES Commission will solicit input from stakeholders, consider comments received during the 60-day public comment period, and subsequently hold public hearings. All regional network plans will be integrated into a draft National CARES Plan.
	Nov 2003		CARES Commission submits recommendations to Secretary of Department of Veterans Affairs.
Oct 2003	Dec 2003		Secretary of Department of Veterans Affairs approves National CARES Plan.
	Apr 2004		Secretary of Department of Veterans Affairs presents 5-year capital plan to congress.

7. Significant Scenarios/Proposals for VISN 2:

(1) Construct a new 30 bed SCI/D Unit at the Syracuse VAMC.
Part of April 15 submission (not a May follow-up item).

May 2003 follow-up scenarios:

(2) VACO Identified: **Batavia Division:**

- Eliminate 24 hour operations (inpatient services) and re-allocate workload to other facilities or via contract.

(3) VISN 2 Identified: **Canandaigua Campus:**

- Eliminate 24 hour operations (inpatient services) and re-allocate workload to other facilities or via contract.
- Create a Finger Lakes CBOC to improve access for outpatient specialty and primary care.
- **Eliminate overhead costs of maintaining Canandaigua campus and re-align majority of resources to direct patient care** (improve access to outpatient specialty and primary care for Finger Lakes market).

Critical Concept

	Key Numbers:	
	Cost Savings Variance between two scenarios:	
Batavia Scenario:	Workload re-alignment would result in **annual increased** cost; estimated @:	$1.9
Canandaigua Campus Scenario:	Workload re-alignment & elimination of overhead costs would result in **annual decreased** cost; estimated @:	-$20.0
Variance:	**Cost Savings Variance between two scenarios:**	-$21.9

	Re-alignment of inpatient workload - Canandaigua Scenario only:					
Canandaigua Campus Scenario:	**Operating Beds**		Base Line	End Point *	Congressional Districts	
* End Point = After complete implementation.	528A7	Syracuse		30	James Walsh	25
	528A4	Batavia Div		53	Thomas Reynolds	26
	528	Buffalo		60	Jack Quinn Louise McIntosh Slaughter	27 28
Re-alignment would be phased over several years.	528A6	Bath		130	Amo Houghton	29
	528A5	Canandaigua	248	0	Amo Houghton	29
	VISN 2	Total	248	273	Senators: Hillary Clinton; Charles Schumer	

Critical Point:
Potential implentation 'End Point' is FY 2008
. . . but . . .
The implementation timeline will be adjusted when and if proposals are included in final National CARES Plan.
For example, entire plan may push back one year if 'approval' is in FY 2004.

Workload Re-Alignment Inpatient

Inpatient - Operating Beds

Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	127	40	23	58	248
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
			Workload Re-allocation				
4	528A8	Albany					
5	528A6	Bath	90	40			130
6	528	Buffalo	30			30	60
7	528A4	Batavia Div	30		23		53
8	528A7	Syracuse				30	30
9		Contract					
10	528A5	Canandaigua					
11		Total	150	40	23	60	273
12		Change in Operating Beds	23			2	25
13		% change in Operating Beds	18.1%			3.4%	10.1%

Inpatient - ADC (ADC = Average Daily Census)

Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	102	38	17	41	197
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
			Workload Re-allocation				
4	528A8	Albany					
5	528A6	Bath	72	38			110
6	528	Buffalo	24			23	47
7	528A4	Batavia Div	24		18		42
8	528A7	Syracuse				23	23
9		Contract					
10	528A5	Canandaigua					
11		Total	120	38	18	45	221
12		Change in ADC	18	0	1	4	24
13		% change in ADC	18.1%	0.3%	6.2%	10.7%	12.1%

Inpatient - BDOC (BDOC = Bed Days of Care)

Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	37,078	13,835	6,122	14,841	71,876
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
			Workload Re-allocation				
4	528A8	Albany					
5	528A6	Bath	26,280	13,870			40,150
6	528	Buffalo	8,760			8,213	16,973
7	528A4	Batavia Div	8,760		6,500		15,260
8	528A7	Syracuse				8,213	8,213
9		Contract					
10	528A5	Canandaigua					
11		Total	43,800	13,870	6,500	16,426	80,596
12		Change in BDOC	6,722	35	378	1,585	8,720
13		% change in BDOC	18.1%	0.3%	6.2%	10.7%	12.1%

Note: Attachment I below revised for Mental Health column and re-submitted Oct 22, 2003.

Critical Point:
Potential implentation 'End Point' is FY 2008
. . . but . . .
The implementation timeline will be adjusted when and if proposals are included in final National CARES Plan.
For example, entire plan may push back one year if 'approval' is in FY 2004.

Workload Re-Alignment Outpatient

			Outpatient - Clinic Stops (encounters)				
Ln	Fac #	Facility/Division	Ancillary & Diagnostic	Mental Health	Primary Care	Specialty Care	Total
2	528A5	Canandaigua (FY02 Base Line)	51,808	82,547	48,732	27,335	210,422
3		* Assumes Finger Lakes CBOC excluding ROPC. ** Assumes ROPC (Rochester clinic).					
			Workload Re-allocation				
4	528A8	Albany					
5	528A6	Bath	6,476	20,562	7,286	4,087	38,411
6	528	Buffalo	2,738	8,692	3,080	1,728	16,238
7	528A4	Batavia Div	2,461	7,815	2,769	1,554	14,599
8	528A7	Syracuse	1,325	4,206	1,490	836	7,857
9		Contract *	32,442	13,940	11,170	3,272	60,824
10	528A5	ROPC **	6,558	27,335	22,955	15,873	72,721
11		Total	52,000	82,550	48,750	27,350	210,650
12		Change in Clinic Stops (encounters)	192	3	18	15	228
13		% change in Clinic Stops (encounters)	0.4%	0.0%	0.0%	0.1%	0.1%

Scope of Concept Proposals:

Canandaigua Proposal (included in Draft National Plan):

a. Eliminate or reduce costs related to maintaining the existing VAMC Canandaigua campus. Re-invest fixed cost savings (overhead) and re-invest in direct patient care.
b. Maintain the Rochester outpatient clinic.
c. Re-allocating VAMC Canandaigua inpatient workload to other locations.
d. Re-allocate outpatient workload to new/existing CBOC's.

Batavia Proposal (not included in Draft National Plan):

a. Eliminate 24 hour operations (inpatient units) at VAMC Buffalo's Batavia division campus.
b. Maintain outpatient operations at VAMC Buffalo's Batavia division campus. No impact on fixed costs.
c. Re-allocating VAMC Buffalo's Batavia Division inpatient workload to other locations.

Note:

* Any changes in the concept's scope, sources, assumptions and/or estimates could change the financial assessment.
* Since not all implementation aspects would be known or fully developed at the concept proposal stage, financial impact would be adjusted during implementation phases.

Financial Analysis Approach:

a. Identify cost changes (negative $ outcome = cost decrease or savings; positive $ outcome = cost increase) based on:

	Canandaigua	Batavia	Primary Source Data
1. Recurring Operating Cost Impacts			
a. Re-alignment of current workload base line	Included	Included	VHA CARES Office: VHA Decision Support Unit Costs & workloads.
b. Re-alignment of fixed cost structure	Included	Included	
2. Capital Cost Impacts			
a. Reduction in Capital Costs	Included	Included	VISN 2 Office: Historical and projected equipment & facility project spending.
b. Additional Captial Costs to Implement Proposal	Included	Included	
3. Non-Recurring Operating Cost Impacts			
a. Salary Costs	Included	Not Applicable	VISN 2 Office: Estimated implemention costs.
b. Other Miscellaneous Costs	Included	Not Applicable	

b. Excludes the financial impact (cost) of significant 'increased' or 'enhanced' workload included beyond the baseline workload. **The assumption is any cost savings could and would be re-invested in enhancing direct patient care services.**

Financial Methodology: Descriptions, Sources and Assumptions:

1. Recurring Operating Cost Impacts	Canandaigua	Batavia
a. Re-alignment of current workload base line	Included	Included

Description: Compute the cost change for re-aligning workload between locations. This is considered the variable costs that varies directly and proportionately with volume.

b. Re-alignment of fixed cost structure	Included	Included

Description: Compute the cost change of reducing fixed cost structure commonly referred to as overhead. This is considered the fixed costs that that do not vary in direct proportion to the volume of patient activity.

Source: The VHA CARES Office identified the VHA Decision Support System (DSS) as the main source for costing of CARES proposals. The CARES DSS variable and indirect unit costs were applied to the workload by Planning Category.

Assumption:
Workload multiplied by DSS Unit Costs equal costs. Can be done at the variable and fixed cost level.
A 3% inflation rate was use to estimate inflation in each out-year beyond FY 2002.

Financial Methodology: Descriptions, Sources and Assumptions: (continued)

2. Capital Cost Impacts

	Canandaigua	Batavia
a. Reduction in Capital Costs	Included	Included

Description: Estimate the capital cost change for re-aligning workload and re-aligning fixed cost structure. Capital includes equipment and facility maintenance projects.

Source:
Historical VISN 2 equipment alloactions and projected allocations.
Histroical facility project allocations, project plans in immediate out years, and estimated project costs in long term.

Assumptions:
Assumes equipment and facility maintenance project savings due to eliminating campus fixed cost structure:
Canandaigua proposal: Assumes 50% in first year and 90% in out years.
Batavia proposal: Assumes 10% of VAMC's Buffalo's total in each year.

	Canandaigua	Batavia
b. Additional Captial Costs to Implement Proposal	Included	Included

Description: Estimate the non-recurring (one-time) capital cost to implement changes. Capital includes equipment and facility maintenance projects.

Source:
VISN 2 staff estimates.

Assumption:
Projected costs to get units ready for additional patients.
General costing estimates categorized as:

			Canandaigua # of wards	Batavia # of wards
Minimal Preparation:	Non-recurring	$200,000 range	2	3
Median Preparation:	Non-recurring	$500,000 to $600,000	5	2
Major Preparation:	Non-recurring	$1 million range	1	1
Leased Space	Recurring	$1 million range	1	none

Financial Methodology: Descriptions, Sources and Assumptions: (continued)

3. Non-Recurring Operating Cost Impacts	Canandaigua	Batavia
a. Salary Costs	Included	Not Applicable

Description: Estimate serverence type pay for staff reductions.

Source: VISN 2 estimates based on payroll information.

Assumption:
Assumed worst-case scenario with minimal employees opting to take positions either:
1. at comprehensive outpatient clinic at new location; or
2. at sites where inpatient workload is re-aligned.

It is expected these costs will be lower than in proposal.
Cost impact phased over 3 years.

b. Other Miscellaneous Costs	Included	Not Applicable

Description: Includes estimates for:
Site preparation for external assumption of campus & buildings (General Service Administration, private entity, etc.);
Historical Register Survey;
Loss of alternative sharing revenue.

Source: VISN 2 estimates.

Assumption: Assumed worst-case scenario with high cost estimates.

Critical Point on Fiscal Year Timeline noted below:

- Potential implementation timeline is 5 years.
- The implementation timeline will be adjusted when and if proposals are included in final National CARES Plan. For example, entire plan may push back one year if 'approval' is in FY 2004.

Results of Financial Methodology:

all in millions

Canandaigua Proposal	FY04 annual	FY05 annual	FY06 annual	FY07 annual	FY08 annual	FY08 4 year cumulative total
1. Recurring Operating Cost Impacts						
a. Re-alignment of current workload base line	$0.7	$4.5	$4.9	$5.1	$5.2	$20.3
b. Re-alignment of fixed cost structure		-$15.8	-$23.2	-$23.9	-$24.6	-$87.5
subtotal	**$0.7**	**-$11.3**	**-$18.3**	**-$18.8**	**-$19.4**	**-$67.2**
2. Capital Cost Impacts						
a. Reduction in Capital Costs	-$1.2	-$2.1	-$2.1	-$2.1	-$2.1	-$9.7
b. Additional Captial Costs to Implement Proposal	$3.4	$2.3	$2.0	$1.0	$1.0	$9.7
subtotal	**$2.2**	**$0.1**	**-$0.1**	**-$1.1**	**-$1.1**	**$0.0**
3. Non-Recurring Operating Cost Impacts						
a. Salary Costs	$3.1	$5.6	$3.1	$0.5		$12.2
b. Other Miscellaneous Costs		$1.3	$0.1	$0.1	$0.1	$1.6
subtotal	**$3.1**	**$6.9**	**$3.2**	**$0.6**	**$0.1**	**$13.8**
Grand Total	**$5.9**	**-$4.3**	**-$15.2**	**-$19.4**	**-$20.5**	**-$53.5**

Key note for numbers: (positive = additional cost; negative = cost savings)

all in millions

Batavia Proposal	FY04 annual	FY05 annual	FY06 annual	FY07 annual	FY08 annual	FY08 4 year cumulative total
1. Recurring Operating Cost Impacts						
a. Re-alignment of current workload base line	$1.4	$3.0	$2.9	$3.0	$3.0	$13.3
b. Re-alignment of fixed cost structure		-$0.8	-$0.8	-$0.9	-$0.9	-$3.4
subtotal	**$1.4**	**$2.2**	**$2.0**	**$2.1**	**$2.2**	**$9.8**
2. Capital Cost Impacts						
a. Reduction in Capital Costs	-$2.3	-$0.2	-$0.2	-$0.2	-$0.2	-$3.2
b. Additional Captial Costs to Implement Proposal	$0.8	$1.0	$1.0			$2.8
subtotal	**-$1.5**	**$0.8**	**$0.8**	**-$0.2**	**-$0.2**	**-$0.4**
3. Non-Recurring Operating Cost Impacts						
a. Salary Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
b. Other Miscellaneous Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
subtotal	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Grand Total	**-$0.2**	**$3.0**	**$2.8**	**$1.9**	**$1.9**	**$9.5**

Key note for numbers: (positive = additional cost; negative = cost savings)

*** Underlying BDOC Equates to Less than 1 Operating Bed and thus will not be used**

Prepared by VSSC http://vssc.med.va.gov/

FY01 DSS Unit Costs by Planning Category for: Batavia

VISN 2 staff completed computation using unit costs

Cost Per Bedday Of Care

CARES Planning Category	Variable Direct	Fixed Direct	Fixed Indirect	Total
Intermediate Med/NHCU	$180.74	$5.34	$167.61	$353.70
Psychiatry	$57.21	$0.87	$37.56	$95.64
Residential Rehab	$174.37	$5.95	$97.05	$277.38

Variable Costs		Fixed Costs	
Variable Direct	Fixed Direct	Fixed Indirect	Total
$5,638,128	$166,661	$5,228,384	$11,033,172
$366,528	$5,574	$240,633	$612,735
$606,991	$20,722	$337,838	$965,551

Cost Per Outpatient Stop

CARES Planning Category	Variable Direct	Fixed Direct	Fixed Indirect	Total
Ancillary/Diagnostic	$39.77	$3.87	$49.82	$93.46
Mental Health	$30.98	$7.48	$4.34	$42.80
Primary Care	$73.33	$6.54	$48.74	$128.60
Specialty Care	$53.30	$7.92	$50.13	$111.34

Variable Costs		Fixed Costs	
Variable Direct	Fixed Direct	Fixed Indirect	Total
$294,980	$28,726	$369,505	$693,211
$281,081	$67,831	$39,366	$388,277
$1,455,974	$129,878	$967,686	$2,553,539
$556,116	$82,603	$523,049	$1,161,768

$9,199,798	$501,995	$7,706,462	$17,408,255
$9,701,793		$7,706,462	$17,408,255
56%		44%	100%

FY01 DSS Unit Costs by Planning Category for: Canandaigua

VISN 2 staff completed computation using unit costs

Cost Per Bedday Of Care

CARES Planning Category	Variable Direct	Fixed Direct	Fixed Indirect	Total
Domiciliary	$86.34	$3.90	$81.03	$171.27
Intermediate Med/NHCU	$222.33	$5.70	$177.56	$405.60
Medicine	$142.40	$2.79	$109.40	$254.60
Psychiatry	$266.05	$5.08	$197.95	$469.08
Residential Rehab	$99.87	$5.09	$149.72	$254.68

Variable Costs		Fixed Costs	
Variable Direct	Fixed Direct	Fixed Indirect	Total
$1,223,466	$55,256	$1,148,144	$2,426,866
$8,364,140	$214,544	$6,679,866	$15,258,551
$0	$0	$0	$0
$5,253,146	$100,289	$3,908,451	$9,261,886
$782,883	$39,917	$1,173,672	$1,996,472

Cost Per Outpatient Stop

CARES Planning Category	Variable Direct	Fixed Direct	Fixed Indirect	Total
Ancillary/Diagnostic	$25.50	$3.00	$24.92	$53.42
Mental Health	$46.29	$8.71	$39.85	$94.85
Primary Care	$91.45	$8.61	$71.48	$171.54
Specialty Care	$70.43	$6.43	$36.61	$113.47

Variable Costs		Fixed Costs	
Variable Direct	Fixed Direct	Fixed Indirect	Total
$1,449,518	$170,808	$1,416,502	$3,036,828
$4,090,674	$769,498	$3,522,053	$8,382,224
$4,076,906	$383,915	$3,186,653	$7,647,475
$2,078,892	$189,791	$1,080,723	$3,349,406

$27,319,625	$1,924,018	$22,116,065	$51,359,708
$29,243,643		$22,116,065	$51,359,708
57%		43%	100%